

Scaling Success: Insights from 50-Year Industry Expert, Mark Anderson

Fri, Nov 17, 2023 1:01PM • 56:59

SUMMARY KEYWORDS

cleaning, people, industry, business, years, contract, building, marketing, customer, talking, company, sell, buy, started, run, give, month, podcast, service, mark

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Tim Clagg: Welcome to the Business of Cleaning podcast, your number one source for information on the commercial cleaning industry. We release new episodes monthly live from the Janitorial Manager studio, located in Toledo, Ohio. I'm Tim Clagg, the marketing communication specialist here at Double a Solutions, and your host of the Business of Cleaning podcast. Happy belated Thanksgiving friends this month, we have the pleasure of feasting and talking with the godfather of the commercial cleaning industry, Mark Anderson. Mark has over 50 years of experience in the industry, and currently, Mark is the president of the profit growth initiative. Mark, so glad to get you on the show. This is a conversation I've been looking forward to for a while.

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Mark Anderson: Yeah, me as well. It's taken a little bit of juggling, but we got here. Now, is the Godfather comment because of the white comment? [Laugh]

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Tim Clagg: I mean, 50 years is a long time. And there's a lot to dissect and talk about in this conversation. I want to start back, because you started as a young man, 17 years old, in this industry, senior in high school with an opportunity from your father, he was involved in banking and just wasn't very impressed with the job that the current cleaners were doing. And that allowed you to get your first break in the industry. And I want to dive into that father-son relationship because it is a special bond. And when you look back at him, believing in you to do that, then helping you out with a loan to get you started. What does that mean to you now looking back all that time?

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Mark Anderson: Well, it means a couple of things to give a little quick context to the story. I got the janitorial job because he couldn't control me and tell me what to do. So, neither of us knew that was going to be any Bellwether to my future, choice of industry and professions. But that started there, and then the loan meant a lot. And I've said this before in other podcasts, it gave us the ability to start. My folks stepped up and took a risk, my dad was very confident he was going to lose the money. My mom said, "No, give it to him anyway." So, we all know the wives run the household.

Tim Clagg: Yes, they do.

Mark Anderson: So I did get the loan, it gets you started. And I often had somebody say, "Well, boy, you got a loan, you were lucky." And I said, "Well, yes and no," I got the loan, and the loan came with two restrictions, I had to pay it back. And at that time, I think it was 15% interest, and he took a third of the company. So yes, I got the money that I would have gotten that no one else would have ever given me. But he also made sure that if it was successful, I was going to pay for it. So, how's that for a background?

02:56

Tim Clagg: In that first contract too, that you did get when you started in the industry \$25 a week! How times have certainly changed. Take us through that process, the moment where things clicked where you decided, I want to step into this realm full time where you knew that you could be successful and not only a successful career but make an impact in this industry overall.

03:23

Mark Anderson: Well, like everybody else, I didn't start out to be in the facility service or janitorial business. My aha moment was when I failed pre-med at the end of my second year and thought I can't do this anymore. What do I do? I went down to the counselor and she said, well take business courses, so that's how I wound up in business, and in finishing that. But the real moment, honestly, was probably my junior year, I was doing floors, doing windows, and worked up through a local national franchise company. And all of a sudden I did the math, and back then they were paying \$1.75 an hour, ran the math and I was making \$4.20 because I knew how to do the work, did it well, did it right, and got out early. This isn't bad money. Yeah, the minimum wage. And when I got out, the company that I was working with offered me a job in Washington state. It was as good as anything I was going to get and I liked what I was doing. And so I decided let's go for it. So that's how I got started with them. That's prior to developing CBM systems.

04:40

Tim Clagg: Sometimes people may or may not fully investigate truly what it takes to run a business. You've seen it time and time again. You understood the process from a young age, not just the process, the hustle the grind, going to school you mentioned, staying out until two 3 am, and cleaning. With more resources than ever before, are you seeing that this has improved with today's business owners that they are better prepared, especially the surge during 2020, COVID, when we started to see a lot more first-time owners getting into the cleaning industry?

05:19

Mark Anderson: That's a tough question, I have not thought about that. I think one, you have to remember, this is a low barrier to entry business. And anybody can get in it, you know, there's no certifications, qualifications, there's no career path, there's no technical school. You might go to a technical school to become a custodian. But as far as running a business, you'll get some things there. I'm trying to think, with COVID, the sprain, and all the technologies that changed a lot of people jumped in, I think they didn't know what they were doing and got an opportunity, just because the electrostatic spraying if you could get one, I mean, everybody lived through that. So, a lot of people jumped in. But it's very interesting when you talk to most people in this business, you'll find that they really didn't start

out to do this. And I mean, I've gotten customers and I've known people for the last 40 years, nobody really started out to do this. And when you do again, I get back to the low barrier to entry, you get in it, and a lot of them find out what I did. One, when you start now, it's easy to make somebody happy, because you don't have any overhead. So, you get all the customers, as my buddy Edsel Cow says, "you get the first five, you spoil them to death, and you'll probably get five more." So, more people are getting into it, the industry is changing, like I'm out on LinkedIn a lot. And yes, people are getting into it, because they're realizing it's a multibillion-dollar industry. And there's a ton of facets to it. It isn't just cleaning buildings, it gets into buildings, facility services, and just the whole scope. If you can clean it, fix it, wash it, paint it, I could go on with the analogies, cut the grass, it all plays in that category. And it's widened the scope, and the industry has gotten very smart about putting more of those things in their palette. On their painting palette. Yes, we do these things. And they'll do them through arrangements, subcontracting arrangements primarily. So I think people were growing their businesses in those ways, a lot more than they ever were. Because when I grew up, you cleaned buildings, it was a toilet cleaning company. I mean, I make no bones about it. That's what we did, wasn't what we did but we sold it two years later. But that's what we did.

07:47

Tim Clagg: It took you seven years to hit your first million. If you have the tools, the resources of 2023 when you started 50 years ago, how much quicker do you think you could hit that mark? And what mistakes would have been avoidable that you could have eliminated knowing now, what you didn't know then?

08:08

Mark Anderson: Okay, so let me put this in perspective for the math people who are listening to this. That was a million in the 70s. Okay, so we run that up to current value, you're looking at about 2 million, I didn't run the math, but you're probably looking at that same company today that would be invoicing 2 million a year, which is about where that jump point is. It used to be a million, now it's 2 million. So just for clarity, people who are doing well in this industry know their numbers, trust me. They know their numbers. So, do you want to run that question by me? I chased the rabbit because I wanted to make sure everybody did that. So, what was the other part of that?

08:50

Tim Clagg: The second part was with the tools and resources and technology of 2023 that is so readily accessible to everyone, what would be some of the mistakes that you would be able to now eliminate with so many resources at your fingertips?

09:10

Mark Anderson: Let me answer that in two ways Tim. The first one would be with what is available and I'm going to go through every channel you know, YouTube, AI, everything that you can do now and all the available information is at a plethora today. It wasn't when I was building, you had to go find somebody who did this. I mean, I can remember paying \$1,500 for a one-day seminar to learn how to bid, now you can get on Facebook and talk to people and whether you get the right information or not. So, I would say I would have cut my time in half. And all things being equal, if I did then and had the technology today, I'd say I would have reached that 50% sooner with the same grind, hustle income

commitment to building and reaching the first, which today would be 2 million. You'd cut your time in half, if you're smart, you're looking at the available resources and all the different groups that you can get in. And there are more seasoned consultants, godfather-ish and godmother-ish, are my age now that have loved the industry stayed in it, and they can get advice, you know, from a lot of consultants that have done and built the built businesses over that length of time. So I would definitely say one thing I always did, I always got outside help. I mean, if I didn't have it in the industry, I look to another industry. And I think a lot of our success, particularly in marketing, and sales did not come out of the BSC industry, it came out of the sales industry, whether you're Tony Robbins, all the different things, we looked outside, we looked at other industries because we just didn't have a lot in the industry, which is not true today. You can get all of that inside the industry with experts.

11:07

Tim Clagg: And going outside too, continuing to develop yourself as an individual and keep your mind active with those opportunities, seeking with something that might relate in a totally different field. Well, you might be able to see something new, a little bit innovative here that I might be able to apply. And then it catches on and like wildfire spreads very quickly. Well, particularly

11:32

Mark Anderson: Well, particularly in marketing sales, when you start looking outside. And when I say outside, we looked at other service companies doing these things, outside of our industry, and what training they were taking. I'm just a huge proponent to this day, I still have a coach, and I still read a couple of three books a month. I cheat now, I use executive summaries and pull out the information and things like that. But I still go through a couple of books a month, tapes, you have to keep up. If you're going to scale your business, as the business changes, one thing this business is, it's a relationship business. It's people to people, relationships are our business. It's our only business. Because you've got people cleaning every night, that's a relationship, you've got people buying service, that's a relationship, you've got suppliers, that's a relationship. And when you break the numbers out, I'd say 90% of every revenue dollar is relationship connected. Now, if some companies happen to own their own properties businesses or other businesses, let's leave all that aside, not muddy, the financial or the balance sheet with other companies. But it's all people and you have to become very good and adapt at getting people to buy into your vision, your mission, why you are different than someone else, and how you're going to get the job done better, because we've all got the same tools, the same information, and we all hire from the same labor pool. So, the only difference is how can you make a better difference for your prospect with the same tools.

13:22

Tim Clagg: I was just going to say this goes hand in hand with the old saying that, working on your business instead of working in your business. So many people get caught up in that regardless of what the industry is, and doing things themselves and what does that do? It wears you down I mean, their time change I'm worn out already, but it wears you down if you aren't being able to put the proper channels, the proper people in place for you to continue to look to expand your operations overall.

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Mark Anderson: You just have to keep moving forward. And the other thing is, working on your business, that came out of Michael Gerber, the E Myth back in the 80s. And it's an excellent statement because so many people get started in this business because they were good cleaners or good floor people or windows or somebody got upset and said, I know you, I can tell you what to do like my dad, I'm going to stick it. Then you wind up with an artist who gets an entrepreneurial fit and thinks because they know how to do the technical side, they understand how to run a business. And you ask anybody that's gone through all this which most of us have there are some people who came out of other businesses into this one, into the BSC or building service contracting industry that have a little different path. But they'll tell you getting a happy customer to clean the business is a whole different thing than running the business. And as you run that business you need to surround yourself with people that have the talents you don't have.

15:05

Tim Clagg: You mentioned scaling just a moment ago, everybody is focused on growing their business, right? That's what we're all about here growing your business, expanding, getting more clients, offering up sales. Well, everybody's situation is different. But what is the appropriate time? And you mentioned scaling. What is the appropriate time when you're an owner to look at scaling in your commercial cleaning operation? What is the process, that planning process? And how much funding or how much cash do you recommend having? I know everybody's situation is different, because not paying attention to these details, not being organized, and not having a plan leads to businesses failing, and 74% of startups try to scale too fast. Unfortunately, 74% of them end up failing and closing doors forever, right?

15:59

Mark Anderson: I think unless you are just cleaning the building for extra cash, you start thinking about scaling when you get your first account. Because that's where the process starts. And every one of these things is a plateau that goes up at different revenues and different volumes. But if you've come into this, even if it's a side hustle, you're going to have to scale you don't want to be doing all the work. So, your first plan is, how do I become a supervisor and a four-person instead of a cleaner, then how do I move out of those positions into just a supervisor, and manager and hire the right people under you? And I think everybody should start out. I mean, it's great. If you say, Yeah, I want to have a \$10 million company, but man, that's a long grind. Okay, but where when you start, have a revenue the objective in mind, and then backstep it. If I have nothing, let's just say the first year, I want to be up to 300. And let me do this math right, \$360,000, which would be \$30,000. What do I have to do to get there? How do I get there? What kind of people do I need? As Stephen Covey says, and just a bunch of other people said, I'm just kind of a Covey fan, I was trained that way. I begin with the end of mind for the year, and then what do I have to do to get there? If it's just me, and I have nothing, and obviously, I've got to get 10 accounts. So, if you're in it for a business, and not everybody gets to seven figures, not everybody gets to eight figures. And it's based on a couple things. But one, it's the person and the individual and their ability to grow themselves. If you aren't growing, your business isn't going to grow, period, end of story. We talked about that a second ago, about studying, going to other things, seminars, and industry meetings. You have got to grow yourself if you want your business to grow, and you've got to grow faster than the business and sometimes the business outgrows you, and that's where you wind up the 74%. Cash is king and the big key is don't run out of cash.

18:15

Tim Clagg: Something that you were very successful at was aligning yourself with the right people. You know, a lot of people who enter this industry may say, "Well, I'm not an accountant." Okay, so when you're looking if you have that relationship, get involved with somebody who can help with the finances for your business, because guess what, when you bring somebody in like that, you're going to learn a new skill, you're going to start to ask questions where maybe before then, the light bulb was going off in your head, well, you didn't have anybody to answer those. And now you have those people that are experts in that, what is that going to do? That's going to allow you to be able to grow. How important is that? You've experienced that a lot throughout your fifth-year career.

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Mark Anderson: It's vital. It's critical. If I had to pick two words, even if you are just yourself, take your books to an accountant at the end of the year. Because you said not only will you ask yourself different questions, but when you put a professional that is an expertise in a particular area, whether it's HR, accounting, they're going to ask you questions you haven't thought of. When I got out of college, you know, you know everything right? You can't get a hold of that stuff and starts asking you studying. I don't know man, I slept through that class. I got a C [laughs].

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Tim Clagg: C's equal degrees though, right?

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Mark Anderson: Yeah. C's get degrees brother, I'll tell you that. I'm a living testament to that, okay. At least my college career, the academic career before that was pretty good. Kind of get lazy. So that's really important and I have kind of like, when the myth, when Atlantis crashed, they took the key people out with them to do another civilization, right? You have to have a good accountant whether you can afford a CPA, but you got to have an accountant, you have to have them look at your books every year. Well, gee, man, I'm only billing 10,000 a month, you need to spend some money and have someone go through it. It's educational. And it gives you the ability to run your business better and keeps you out of tax trouble, a lot of get a tax trouble.

20:28

Tim Clagg: You might pinpoint in an area where okay, I'm overspending here, I'm not spending enough, or we need help here in this department. So it opens up a lot of different points in your business. I heard you say recently, you know, we were talking before the interview started about marketing. Marketing obviously plays a big role. Now more than ever before in this industry. And during the recent interview, you said 80% of people in the industry struggle with marketing and growing a company, where only 20% of people really get it. Why do you think that number is so high 80%?

21:06

Mark Anderson: Well, it's actually worse than that. You can look it up for small, medium sized businesses or SMEs, small medium sized enterprises, whichever way you want to cut where you fall into that. It's 90%. 90% of small businesses don't understand marketing and don't understand how

marketing works and supports the selling process. And because it just isn't as simple as one, because you sell doesn't mean you can market, and because your market does not mean you can sell. Right? Marketing's gotten a lot more difficult and technical. With all the channels, and again, I'm not an expert marketer, I have somebody on my team at the profit growth initiative. My son, he does that. He is definitely a subject matter expert in that and gets on. But there's a lot of components and you think, well, I'll run a Google ad, I'll run a Facebook look like that. And then you wind up losing a bunch of money. And you go, Well, this didn't work. Well, of course, it didn't work, because you didn't begin at the beginning, who's your client? And what do you have to offer them? And are you talking to the right audience? No marketing is going to work if everybody that's got a dirty building is your customer. You'd have to know who your customer is, and what problems do you solve. The pain, the agitation, and the solution they will OPAS system. We'll talk about the pain, will agitate it a little bit more tell you how we'll fix it. So, they don't get all the content, content and approach. I just wrote something. The things that I see on LinkedIn, the way people approach me to get me to talk to them are appalling. I mean, you just wonder, did anybody go to school? Has anybody done this? And it's appalling in the fact that I, I want this, I can do that. Accept their invitation, and next thing you go buy this. What about the customer journey, people don't understand, I'm not buying this from you. And I would expect you to buy it from me on the first call. So they don't understand it. That's where you really needed your business grows. And you get to a point, if you're not a marketer, you need to find one to help you. You really do. Or you can learn it yourself. But here's the deal, you can pay the money and have somebody else do it. And you can build the business. Or you can stop what you're doing. And you can learn all those tactics and learn it yourself. But at what cost? And there's nothing wrong with learning it yourself. But yet, sometimes don't learn enough to know. Okay, I now know how to do this. What do I do when it doesn't work? And I'm talking about businesses that are probably you know, you're getting ready to crack the \$2 million mark and stuff like that. Otherwise, you know, marketing. They contact people, they reach out, they do different things, but it's just not well understood. It's very well understood by large businesses, when you look at how they go through Facebook, LinkedIn, pick something Instagram, I don't care. I mean, there's a way to do this. And getting a good social marketer on your team is not that expensive. So build a team. This is back where you do what you do. Well, if you're the ops guy, and you're a great operator, get a good salesperson. If you're a good salesperson, get a good operator, build to your weaknesses, not to your strengths, do what you do well, and finding other people to do that for you. Particularly as you're looking, you're getting ready to hit that \$2 million mark, your company changes a lot and that's another one of those plateaus you grow into. Because you have to start delegating more, you're getting further removed. So you have to be looking all the time who is my next player? Who do I get on the bench? What do I need?

25:04

Tim Clagg: And you got the keys to the car to be able to try and make those changes. Going back, I just I wanted to touch on this because I thought it was interesting too. I was just having a conversation with a co-worker of mine a few weeks ago about what you were just talking about, the change in LinkedIn, as an invitation to build relationships. But now, everybody wants to sell you something. And I just think that's very, very gutsy. Put an invitation out there. And hey, Mark, I haven't collaborated with or met you yet. But I want to sell you something boom, jumping, taking your shot right away. What do you think has transpired to that direct change? Because it is direct people are being forward with that? You know, I've seen it a lot in my direct message feed on LinkedIn here in the last year, I'd say or so.

25:59

Mark Anderson: Well, there's.. Let me be careful how I say this. Let me think about this for a second. Least I get myself in trouble, you can always edit it out if it's bad. There's a customer value journey. And this we get back to understanding why and how people buy and the journeys they go through. And the journey starts with I don't know you, I get to know. I get to know you, I look a little bit more. Can you fix something Oh, you can fix something. Now you get to the point Gee, can you help me raise your hand, say I want to hear a little bit more then it keeps, you know, look up customer value journey. Google it. Customer value journey is the same thing as dating, and I won't say who or what you're dating, I'm not going to get into all that. You don't walk in to a bar or a club or wherever you are and say, Hey, Tim, nice to meet you. You want to go home with me tonight? Back in the old days, back in the old days, if you'd had several bourbons, and it was two o'clock, you might take a shot, but it usually didn't win [laughs]. Okay? And it's the same principle, how rude to think you can fix somebody's problem when you don't even know what it is. And I've got a pet peeve, everybody wants to 10x your business and I'm not. And I mean, all the big guys doing this stuff, the Tony Robbins, the Grant Cardones. Okay, they have a track record. But everybody wants to 10x up. I'm dead set against saying that. How can I tell you I'm if you use what I've done, you're going to 10x your business. From my perspective, that's a stupid his damn thing. I've my life. One, they're not me. They may not grind us or we can go down the whole list of things. Now, can I help you grow your business? Can you do better, but they dangle out the impossible? And then I love to say I did it. So can you. I want to choke on my toes. Okay. What a load of road apples. Yeah. Okay, there. You want to have to edit that one?

28:08

Tim Clagg: Yeah, everybody's situation is different. No two paths are the same in anything we do in the walk of life.

Mark Anderson: Their goals, their abilities, their desire, what's happening in their personal life, you don't know. And I think all those guys are great. I follow all the guys in Vaynerchuk. I mean, they're great. They've done some phenomenal things. But that doesn't mean you can do it. And I've gotten to see on the inside of the coaching. I won't mention any names, but I had a coach with one of the top ones. And I want to ask them, I said, How many of these people, and this was a guy who created billions of dollars' worth of business for people. I said, so tell me how many people have actually done what you said is possible to do? The answer was, I don't really know. Because after they do everything they say we certainly keep track of the big winners, because the big winners sell, right? That's who you promote. Nobody comes out here and says, you know, look, Tim bought this class paid \$20,000 for it and lost his shorts. That's not down below in the social media to see.

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Tim Clagg: Everybody wants to hear the success stories, right.

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Mark Anderson: Yeah, and he said, quite frankly, they keep charge of the big winners. So, we don't know. It's part of the metric because they take the information, they go to the classes, they may work for us for years, and go through the system. And then they're gone. We either lose touch we said we

really don't know. And there may be a few out there that someone wants to take exception with me that are that are tracking every iota but the ones that are doing people a mass, I'll guarantee it. Tony Robbins can't tell you. Grant Cardone can't tell you how many freakin people have actually been successful. Not the big one. They all know the big ones. They've all got the big ones out there because they sell but who has been successful with, and success doesn't mean 10x and 20x and becoming a multimillionaire. That is not everybody's goal. But it's that great American dream that we have the greatest opportunity, I still think here in this country anywhere to make something happen that you couldn't do anywhere else. But that doesn't necessarily mean that you're going to be walking on streets to gold and lighten your cigar with the \$500 bills [Laughs].

30:19

Tim Clagg: We're talking with Mark Anderson, Mark has over 50 years of experience in the commercial cleaning industry and currently is the president of the profit growth initiative. I want to dive into something on that aspect. Something that really struck my mind, made me think because I do this quite a bit, is your bridge method for listeners, avoiding half bridges. Not focusing on one idea, but multiple ideas, not being able to follow through, I hate to say it, but you know what, I'm human, I do that I can, well, you know, what, I have this idea, get about maybe a quarter of the way. And then I go to another idea, and not finish that out. We're all guilty of that. But I just thought that that was something that really kind of made me go individually deep and thought looking at your site.

31:07

Mark Anderson: For the audience, you're talking about the little video we have. The half-built bridges, and that's a concept that our Digital Marketer, partners, for digital marketing. And Ryan, that's when Ryan Deiss concepts. And basically, let's go back to marketing just for continuity. Why doesn't marketing work? Because I get halfway through something and I stop, it's not working, I don't figure out how to make it. So I get the bridge built halfway across, and I stop. So if I'm on this side, I'm here. And again, a to b, get where you want to go. But I don't get to the other side where the pot of gold is because I stop. And I'll consult with businesses, the same thing in operations. They've got all these things going and none of them are finished. And when I say, Well, do you have a process? Yeah, well, is it done? Well, no, we got busy. I understand that. And I wasn't perfect. I mean, I'm sitting here talking to you, because I have failed at more things. And probably most people have. And if you tally it up, like every good player, every good stat I've got more failures and more swings than I do hit. But obviously, you stay in luck. So the half built bridges, anything that you've done half way, and for some reason stopped and not taken it to its completion, to decide does this really work? Or doesn't it and you get all these half built bridges, and then all of a sudden we hear this marketing doesn't work. Either the ROI stinks. I can't see the return on the objective. You know, this is just horrible. Where are you? What do you do? Well, you didn't do these things to finish the process. Well, yeah, we got busy. Well, does that make it a bad program? It's one of my one of my coaches when I got out and doing this, his favorite saying and I use this everybody, look, the information isn't on trial, the information works. Who's on trial is the implementer. Can you make it work for you? And back to the point, the 10x, we're all different. We all learn differently, we have different skills. And sometimes you just have to say, is it time to bring in outside support? You can't do everything in-house. And I broke that rule when I started to consult. And I knew it. I mean, I've already been in business for 40 years. And I consult I consulted with our other business we had I've actually consulted oh my gosh, 27 years now. Wow. Because I did great

consulting for customers. We did consulting for competitors in the cleanroom business, we did all kinds of consulting, particularly specialty consulting and some of the facilities and it just gets down to it. You can't do everything. And you can learn it, you can do it. But when you're building your business, put some money aside to bring some experts in and get some expert help. It will pay and the metrics are pretty good. But those half build bridges are usually owners trying to do something themselves that don't have all the pieces and they get the bridge halfway built and abandoned finishing the structure. And I know you watch the little video out there on Darrell's section. I'm impressed, you went onto the website.

34:28

Tim Clagg: I do my homework partner. That's one thing that I pride myself on. Let's talk contracts. Expanding customer lists, a lot of things some people fall on the short, they don't realize there's a benefit and this is right up your wheelhouse of upselling your current customers because it's said and this is really mind-boggling. We talked a lot about finding the right people and developing relationships. Well now especially to0 with time of the essence, it takes about 18 months on average to go out and find a new contract. And you can certainly wear yourself out and exhaust yourself out. What are some reasons before we dive into the upselling. What are some reasons that process now in the day we live in, can take up to 18 months?

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Mark Anderson: Well, a couple of points to this, the larger the customer, and the more they spend, the higher they usually are up in the company. And if you're in charge of buying the cleaning service, and it fails, that doesn't look good on your resume, whether you're the office manager, or the facilities vice president or director or head of the whole thing, and it's a risk, I've got to give you the keys, I have to hope you're going to do it and fix what I said. And it isn't like, I go out, buy a new pair of shoes, from wherever, and I look at these are great man, everything I want. We don't give a product, it's a service. So, there's a risk involved. People don't like to change, do you like to change Tim?

36:11

Tim Clagg: The older I'm getting, I really don't.

36:14

Mark Anderson: Change for change's sake. You walk in, and everybody's getting that building cleaned by somebody, and I guarantee if they're happy, happiness is relative, we could go into that definition. Why change, so you're going to get contracts up in a year, its annual renewal, see me that. So, there's, the first part contracts are usually based on a year. However, they're all cancelable in 30 days. Now there are ways when you're writing larger contracts, there are ways to lock things in, there are performance issues, that are part of the contract, and there are certain guarantees, as long as you're performing. And I'm talking about things that started getting into the \$200,000 a year stuff, they have to. You can't go in and start something then somebody gets mad and throws you out and 30 days. So there's, there's different strategies for different contracts. But let's just say a level contract a couple, three grand a month, you know, you're on a 30-day contract. Oh, yeah, they signed a year, we signed two years, but they're all performance-based every one of those things. Yeah, you're going to get two years if you keep everybody happy. So people think in terms of calendar years, or budgeting. So when

budgets are due, that's when they get new, more money for next year's cleaning contract. We'll make it simple, my fiscal and calendar years are the same. So, at the end of the year, the whole company rolls over on December 31, and I'm doing my budget in October. Well, if I've got a \$2,000 month budget, and my boss says, I'm not giving any more this year, I still got a \$2,000 month budget. I go out to bid and everybody's 2500 bucks, I'm not going to change. So, I could go into more of the psychology about this. The bigger the contracts, and the larger the customers, the more you have to understand this. Large customers can be a two to five-year cycle. Just because of the cost of change, the opportunity of failure for a change. So, that is why it takes that amount of time. I was talking to somebody else and forgot exactly who it is, Chad Holmes has a buying pyramid. Chad Holmes was the second co-founder of FedEx, Chad's passed now. This is again, why you study outside industries and people. And he asked him to look it up called the buyers pyramid, and he proved this over jeez, I don't know, 50 years now, it's a proven concept. 3% of the people are buying today. Those are the people that are pinging Google. Okay, I need something today. Who is it? Google listens okay, and then you pay something you're over here. And if you didn't, you're down there. Another 7% of those people are purchasing, probably within the next, they're in the buying cycle. There in the next, we'll say a month contract. So that leaves 90% Well, what in the world are they doing? Well, in Chad's pyramid, I'm not going to go through it. He explained. Another 20 or 30% are thinking about buying. These people haven't even considered buying and these people aren't going to change because their nephews doing it just to stretch stuff. So they're in this pyramid. It's proven. So that's why it takes cycles. Because people aren't just going to quit, it isn't going out and getting a new pair of shoes or a new shirt. There's more to it. And I love it when people say Well, anyone can clean a building. I'll throw you the key if you show me.

39:57

Tim Clagg: Yes. Leveraging those current contracts, they may have other business that isn't being taken care of in their building especially, I'm going to use the example, let's say winter, right Winter is coming as much as I hate to admit it, it is almost here. So, there's tons of winterized services that you could if it's not being offered, or maybe you could expand that contract and pick up a couple \$1,000 a year, maybe a couple \$1,000 a month.

Mark Anderson: No removal.

Tim Clagg: Yeah. Especially here. I mean, we're calling for pretty Farmers Almanac calling for a pretty rough winter here in the Midwest. So, you know, snow removal, that's one I mean, H back, filter, changing maintenance, you know, stuff like that. So you're just leaving money on the table.

40:51

Mark Anderson: Yeah. And here's why you're leaving the money on the table. If, if you're doing the cleaning. And again, let's keep this in somewhat perspective, someone's spending a few \$1000 a month, you know, the smaller the account, obviously, the smaller the account, if it's not triple net lease, or excuse me, if it's not a full lease, not a triple net. It's provided by the people you're renting your space from, but most people have to go out and find all those things you're talking about. When you get into larger contracts, say \$5000, but not \$5000 is not exactly large, we'll just use that. They have to buy a number of services, well, they paint their building, they paint the walls, but the walls are a cycle. You don't paint your whole building every year. Now we're back into sight, you have to understand when

people buy stuff, and what cycles are, and those are the sales cycles, that's when they're ready to buy. They have landscaping, they use plumbers and then they use a lot of services that are more vertical to what we do, they may pressure wash, they may window clean, they may do a lot of they buy it from someone well, if you're in there and doing a great job, and you're in their building every night, and they like you and trust you. And it isn't, this is a real know like and trust your service. And um, you're there every all the time they're talking to you. And you say well, we campaign. Well, great, would you give me a bid, I'll give you a bid. Usually they will tell you what they want to spend, since they already know you. This is my budget, everybody's got a budget. And I always say what's your budget, I'm going to tell you. Tell me your budget too low, I'm going to tell you, I can't do it, here's what you got to spend friend. You've got a budget, don't tell me you don't. And don't try to get me to get a down low, I'll give you the best deal I can give you. But what's the upsell cross-sell, you can add these and of course, you need a certain size building to make this work well. So I did, we had painting contracts of 50 to \$70,000. And you get better margins because you obviously we sub them how you get all this done. It's the basic, it's the basic primary and secondary contracting, you know, I'm the prime I hold the contract. I'll take that from me. And they're happy to give it to you because now it's a single point of contact. But again, you have to be doing the work you have to be performing. But on our when we sold the business that was \$15 million, we were doing a minimum of 10% every year and upsells cross-sell at a minimum of 7 to 10% more gross operating margin than off our monthly recurring monthly or monthly recurring services or MRM. It's there for the taking. All you have to do is ask now you have a little marketing program, you have to educate, and entertain, you just don't get it. It's again, it's not let you know it's the same thing. Hey, Tim, I just met you. You want want to buy this? Well, even when you know him, it's the same thing. It's a journey. So you learn what their cycles are on all these things. And if they're happy with the landscape, or they're not going to change if they've got something coming. So this there's a strategy and a psychology to working on this. But as you should be able to add 10% If you've got a decent and I'm going to say a marketing program that works with your current clients and educates them, here's what we have to offer. It offers them some value of the say, hey, it's winter. Here are the 10 things you need to do now we're back down. Here are the 10 things you need to do to button up your building for the winter snows coming. Are you prepared? Have you prepaid in advance for someone to do your snow removal? Okay. Because people will prepay. Do you know why? Because when it snows, everybody's busy and you're going to have to wait. And heck we used to sell contingency contracts. We didn't get a lot of snow. I had a couple of panicked customers, but they'd give us 3000 bucks to be first in line and I'd pay the subcontractor an extra you know \$500 of that to make sure I was first. And we have that money, whether it snowed or not, okay. I don't want to delay this, there's a lot to it, but upsell, cross-sell, bundling, expanding, and they are seven times more likely to buy from you than they are anybody else. Because even if they bring an outside contractor in, they may know you're there. So there are no security issues, there are no key issues, and we can go on single point of contact. And if you work, and now you're really tight. So let's say you don't do such a great job of cleaning this month, I get rid of these guys. Well, they look down, only cramming. And let's see, they're painting for me. They're doing the HVAC services. Now you're doing a few other contractors, but you have contracts with them, they don't take your work away, and long story short, and they go, and I've had this I had to have my million dollar account purchasing agent called us in goes, well, you know, maybe we better bid this thing. He starts looking down at everything, we're changing all the filters in the factory, and I'm back, we're painting we're on the line, we're sorting screws because I can't get rid of you guys

46:04

Tim Clagg: You're doing too much.

46:05

Mark Anderson: Yeah, you're doing too much. So, what you're doing, just fix your problems for me. And we'll be good. And it doesn't mean they won't go right. But it means they will think twice because all of a sudden, it isn't just putting the janitor work or the cleaning or the disinfecting work, whatever portion you're in, industry silo of serving. And the closer, the more valuable you are.

46:28

Tim Clagg: And when you're doing this many things, and it's strengthening that relationship you're in their building, every night, every day, it's going to lengthen that customer life. So, the average life of the customer here is going to be longevity, and it's going to create that. And that's important as well, because sometimes as you said, let's say you did lose that contract. Well, we only had it for two years, well, you're doing all these things. I'm assuming you're going to be there for multiple years. I mean, you can kind of go into what you saw with your average customer life. expectancy.

47:10

Mark Anderson: Yeah, the CLV. Well, that's a whole other topic. Yes. That's how you scale a business. You cut your churn, you extend your retention time. And that's automatic money in the bank, our average customer. And sometimes I get this wrong. If I quote anywhere, sometimes 13,14, we have somewhere between 13 and 15 years, we kept them that long. Because we know the value of keeping not only the value, but most companies don't know how much it costs them to get a customer in this business. I had a plumbing company doing 10 million when I first started consulting told me, We don't have any sales costs. Really no marketing, really. And we had a nice chat. And they eventually became a key it became a client for a while but I said, Well, how do you get your sales? Well, the owner says, I attend all these meetings, I do all these things. What do you get paid, and he rattled off the number. And I said, so that's not a cost of marketing. They don't count the cost, the crm's. And I mean, I can go on. They don't know the cost. They don't know the cost of the bleed. They don't know the cost of a proposal, and they don't know the cost of acquisition. And if you don't know those things, you're going to lose money.

48:38

Tim Clagg: Mm hmm. How much money? I'm curious how much money they're leaving on the table?

48:43

Mark Anderson: Well, yeah. So now if I keep you, let's just say make the math simple. I keep my average lifetime value. It runs for about three years for small cleaning, for smaller cleaning contracts under \$10,000. It runs for about three years. If I kept you just one more year, and I was making, we'll just say it's \$10,000, and I'm making \$4,000 a month in gross operating profit. That's \$48,000 a year. And I lose it a year and three, I've got all the cost of somebody else to replace it and bring them in. If I keep them one more year, this is simple. I just put \$48,000 in my operating margin. I didn't have to sell a thing. I didn't have to pay a salesman. All I had to do was do the work I was hired to do and make them impressed enough. And for every year and six months, you add that you start keeping your base

and your base gets longer you can put more on top of that base because you've got more people to deal with people stay with you. Now we're back to the importance of retention of both clients and employees that's a whole other subject.

49:51

Tim Clagg: Mark, I want to shift gears, you are a host of a podcast as well hosting the "Polishing Profits." What have you enjoyed the most so far, hosting your podcast.

50:05

Mark Anderson: Honestly, I love working with the team, I've known Ed Selkow for 15 or 20 years he's been in the industry about as long as I have, and the same as Sharon Cowan. It's so much fun to get the three of us in a room and start talking about how we can help people solve problems better, and maybe get that bridge extended a little further. So, our podcast is a lot different than this, we go out and look at problems and we talk about solutions. And we don't always agree with the three of us, which is fine. The other thing, it's just good to give back to the industry. We're all in it. And we can provide, you know, you like what we say or not, we always say, tell us in the comments. But if we can give anybody one idea that helps them make more money, keep a person longer on their staff or an account longer, or gives them that aha moment, you know, the light bulb goes blink. And they go I hadn't thought of that, and they use it for a moment. That just lights all three of us up. That's what we do. I mean, that just in the process is fun.

51:22

Tim Clagg: Very valuable. A lot of insights, a lot of information. You started, we talked about this the top of the interview, you started with help from your father, fast forward to today. And you were able to work with your son, Darrell, in your company, the profit growth initiative, it's gone full circle, what does it mean to you now as a dad to be able to work with your son?

51:48

Mark Anderson: That's a loaded question. You'll probably watch this. I was Warren getting into this. And he and I talked about it from friends of mine who have done the same thing. It's an interesting dynamic, it's a great dynamic, it's great to work together. But you're not the dad anymore. And he's not the kid. And getting all that sorted out takes years. And I wouldn't say we have it all sorted out today. But it gives you an entirely different relationship with a relative, we have a business relationship, as well as a family relationship. And things can spin out of control a little more and make it a little more challenging. But it is a lot of fun. It's fun to see him do well, to see how he helps the company do better. There's a lot of stuff that we do as the profit growth initiative. If it was just me, we wouldn't be doing. You get into the market. I can help you with the sales side and advertising and marketing. But he can teach you how to settle those half built bridges and stuff. I can't do that. And so he really is an SME as a matter of fact, he helped me clean up my company before I sold it when he had been out of school a year or two. He took a couple years off, wandered around and did some fun things. And I was selling the company and I said would you come in and help me? He said, What do you want? I said my CRM is a mess. We're behind on everything. That same thing I teach people not to do. I said all the sales notes are on the president and my in my notebooks and the Vice President and I said I'm quite frankly the things have gotten a pickin mess. So, he came in and cleaned it up presale, and they said, hey, this is one of the best CRMs we've ever picked up because that's part of why somebody, the information

were there. It's been in business, you know, you just should I have delegated that and borrowed use my own advice. Yeah, did I know until it got time to sell it? It's like painting the house before you sell it. Curb appeal.

54:01

Tim Clagg: You've accomplished so many amazing things, so many wonderful things during your career and helped a lot of people along the way. Your career is still going by the ways we've talked about. At the end of the day, though, Mark, what are you most proud of? What is Mark Anderson most proud of during the course of the last 50 years?

I told you, we're going to get a little deep here at the end. Okay,

54:29

Mark Anderson: Well, I'm going to I'm probably going to go in an area that you're not expecting. What I am most thankful for, and probably impressed with, I'm a believer. I'm born a born-again Christian believer. How God has been actively involved in every area of my life, good, bad, or indifferent. And I have been able, through that part of my faith it has meant more than anything. And I mean, we've had some believe we between family business and anybody that's done all this knows what it is. And inside of all that, there was always something I learned there's something well beyond me to believe in. That makes a difference whether I'm winning or losing, and that would be Christ. So you asked a tough question. There's my answer.

55:24

Tim Clagg: Mark, we appreciate you coming on the show sharing your 50 years of tips, tricks, and secrets in the commercial cleaning industry. How can people find you on social media as well as your podcast?

55:38

Mark Anderson: Well, the podcast is on all the regular culprits YouTube, Spotify, Apple Music, Amazon. There's [tpginow.com](https://www.tpginow.com) website. We don't go really deep on our website, we give you enough to what your appetite and make a phone call. That's what those are for. And polishing profits and on LinkedIn. I do not have my LinkedIn URL memorized. But if you put in the profit growth initiative, you'll find my regular and I spent a lot of time on LinkedIn.

56:22

Tim Clagg: You spend a lot of time and that's how I was able to connect. You're involved in several different groups like I am and you are very active, engaging every day.

56:33

Mark Anderson: Yep, trying to be you have to be it's like anything else.

56:38

Tim Clagg: Well, that will complete this month's edition of the Business of Cleaning podcast. Be sure to subscribe to us on Spotify, Apple podcasts, Google podcasts, or wherever you get your podcasts from.

Also, be sure to leave us a five star review and your comments from everyone at Janitorial Manager, my guest, Mark Anderson. I'm Tim Clagg saying so long. Until next time!